

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 IO-10 CIAE-00 COME-00 DODE-00

DOTE-00 FMC-01 INR-07 NSAE-00 CG-00 OFA-01 DLOS-03

ACDA-05 PM-03 L-02 NASA-01 NSC-05 OES-03 SS-15 OMB-01

TRSE-00 CCO-00 OTPE-00 FCC-01 OC-05 BIB-01 /084 W

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R 181718Z MAR 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 9383

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E.O. 11652: N/A

TAGS: ETEL, UK

SUBJ: MARITIME SATELLITE CONFERENCE

REF: STATE 54442

1. WE BRIEFED MELLON AND BULL, FCO, MARCH 14 ON BASIS REFTTEL REGARDING US PARTICIPATION IN INMARSAT THROUGH DESIGNATED TELECOMMUNICATIONS ENTITY. WE ALSO DISCUSSED WITH THEM RESULTS US-USSR CONSULTATION SAME SUBJECT REPORTED IN STATE 52549. MAKIN'S REPORTS ON THESE TWO BRIEFINGS HAD NOT BEEN RECEIVED AT TIME WE TALKED WITH THEM AND THEY WERE VERY GRATEFUL FOR INFORMATION DEPARTMENT HAD PROVIDED.

2. MELLON HAD JUST RETURNED FROM OSLO MEETING OF SMT GROUP OF CEPT AT WHICH ALL WESTERN EUROPEAN COUNTRIES HAD BEEN REPRESENTED. US POSITION ON INMARSAT HAD BEEN TOPIC OF CONSIDERABLE DISCUSSION. MELLON SAID US PROPOSAL TO ADOPT TWO-TIER SYSTEM PATTERNED ON INTELSAT RECEIVED VERY LITTLE SUPPORT. ONLY ONE REP FROM ONE UNNAMED DELEGATION HAD SPOKEN IN FAVOR OF ACCOMMODATING US ON THIS ISSUE BUT EVEN HE RETREATED INTO SILENCE WHEN NO ONE CAME TO HIS SUPPORT, ACCORDING TO MELLON. EUROPEANS GENERALLY

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SATISFIED WITH PRESENT POE DRAFT AGREEMENT, FEEL THAT

ANY SHIFT TO TWO-AGREEMENT APPROACH WILL DELAY ITS INTRODUCTION INTO FORCE, AND BELIEVE THAT US DIFFICULTIES WITH PRESENT DRAFT OUGHT TO BE HANDLED WITHOUT RESORT TO A SECOND DOCUMENT.

3. ON LATTER POINT, MELLON FEARED THERE STILL SOME CONFUSION BETWEEN FORM AND SUBSTANCE. HE ASSUMES US INSISTENCE ON TWO-AGREEMENT APPROACH IS NOT BECAUSE IT REGARDS TWO AGREEMENTS AS ESSENTIAL BUT RATHER BECAUSE IT SEES NO SIMPLE WAY OF DEALING WITH FINANCIAL RESPONSIBILITY QUESTION EXCEPT BY MEANS OF TWO AGREEMENTS. MELLON SAYS HE STILL NOT CONVINCED THAT TWO AGREEMENTS IS ONLY WAY OF RESOLVING US PROBLEM AND THAT QUESTION OF FINANCIAL RESPONSIBILITY OUGHT TO BE CAPABLE OF RESOLUTION THROUGH APPROPRIATE DRAFTING CHANGES IN THE POE TEXT. HOWEVER, IF SUITABLE LANGUAGE CHANGES COULD BE FOUND OR EVEN IF TWO AGREEMENT APPROACH WERE PURSUED, THIS WOULD STILL NOT ANSWER WHAT MELLON SAYS ARE WIDESPREAD AND GENUINE EUROPEAN CONCERNS ABOUT INABILITY OR UNWILLINGNESS OF USG TO GUARANTEE FINANCIAL RESPONSIBILITY OF ITS DESIGNATED ENTITY.

4. MELLON SAYS EUROPEANS WERE WILLING TO GO ALONG WITH US ON TWO-TIER INTELSAT AGREEMENT AND DIVORCE OF USG FROM FINANCIAL RESPONSIBILITY FOR ITS DESIGNATED ENTITY BECAUSE IT WAS APPARENT THAT INTELSAT, FROM ITS OUTSET, WOULD BE A PROFIT-EARNING SYSTEM. THIS IS NOT THE CASE WITH INMARSAT. THE EUROPEANS EXPECT THAT INMARSAT MAY WELL LOSE MONEY FOR UP TO TWELVE YEARS AFTER IT IS ORGANIZED. IN THESE CIRCUMSTANCES, THE QUESTION OF FINANCIAL RESPONSIBILITY BECOMES A CRITICAL CONCERN. MELLON OBSERVED THAT INMARSAT DIFFERS FROM INTELSAT IN OTHER RESPECTS AS WELL. WHILE INTELSAT IS BASICALLY A COMMERCIAL OPERATION, INMARSAT WILL INCORPORATE MARINE SAFETY FEATURES WHICH ARE OR OUGHT TO BE A GOVERNMENTAL RESPONSIBILITY. IN ADDITION, THE MARKET IT WOULD SERVE IS DIFFERENT AND WHILE US PARTICIPATION WAS ESSENTIAL TO INTELSAT'S SUCCESS AND THE SOVIETS STAYED OUT, IN THE CASE OF INMARSAT, THE SOVIETS HAVE BEEN A MOVING FORCE BEHIND ITS ESTABLISHMENT AND US MARINE COMMUNICATIONS REQUIRE-LIMITED OFFICIAL USE

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MENTS ARE NOT AS CRITICAL TO INMARSAT'S TOTAL MARKET AS WAS THE CASE WITH INTELSAT'S OPERATIONS. HERE THE EUROPEANS APPEAR TO BE THINKING THAT WITH THE SOVIETS IN AND US REQUIREMENTS LESS SIGNIFICANT, WE CANNOT, NECESSARILY, EXPECT TO CALL THE SHOTS ON HOW INMARSAT WILL BE ORGANIZED.

5. MELLON SAID UK RECOGNIZES THAT QUESTION OF FINANCIAL

RESPONSIBILITY OF A US DESIGNATED ENTITY SHOULD NOT BE
AN OVERRIDING CONCERN FOR EUROPEANS, FIRST OF ALL BECAUSE
THE ENTITY WE DESIGNATE WILL HAVE AMPLE RESOURCES
TO TIDE IT OVER INMARSAT'S PROFITLESS YEARS AND SECONDLY
BECAUSE IF FINANCES OF ENTITY BECAME A SERIOUS PROBLEM
FOR THE ORGANIZATION, THE USG WOULD PROBABLY MAKE SUITA-
BLE ARRANGEMENTS REGARDING ITS OPERATOR'S PARTICIPATION

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IN INMARSAT. NEVERTHELESS, THE QUESTION OF FINANCIAL
RESPONSIBILITY IS A SERIOUS CONCERN TO OTHER EUROPEANS.
UK WOULD LIKE TO ACT AS BROKER TO TRY TO WORK OUT THIS
CONFLICT BETWEEN US AND EUROPEANS.

6. MELLON THINKS THIS CAN BE DONE WITHOUT
COMPROMISE OF PRINCIPLE THAT USG CANNOT ASSUME FINANCIAL
LIABILITY OF ITS DESIGNATED ENTITY. TO DO SO, HOWEVER,
HE SAID HE NEEDS BETTER BACKGROUND ON BASIS FOR US
POSITION. REFTEL HE SAID WAS GOOD EXPOSITION OF US POSI-
TION BUT IT DOES NOT EXPLAIN WHY PRINCIPLE WE ARE UP-
HOLDING IS "NON-NEGOTIABLE". UNLESS HE CAN EXPLAIN IT,

HE CANNOT SELL IT TO EUROPEANS WHO ARE STILL DEEPLY SUSPICIOUS OF US BECAUSE OF OUR PAST ROLE IN INMARSAT POE MEETINGS. IN THIS CONNECTION, HE ASKED AGAIN FOR SOME KIND OF INFORMAL, NON-ATTRIBUTABLE BACKGROUND PAPER DESCRIBING LEGAL, INSTITUTIONAL AND INDUSTRIAL CONSIDERATIONS WHICH COMBINE TO MAKE IT IMPOSSIBLE FOR USG TO ASSUME FINANCIAL RESPONSIBILITY FOR ITS DESIGNATED ENTITY SIMPLY TO ASSERT THAT THIS IS US POLICY, HE SAID, IS NOT A COMPELLING ARGUMENT IN TRYING TO BRING EUROPEANS LIMITED OFFICIAL USE

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AROUND TO ACCEPT US POSITION.

7. MELLON SAID THAT AT SMT GROUP MEETING IT WAS APPARENT THAT COMMENT MADE BY US TEAM DURING ITS JANUARY/FEBRUARY VISIT TO EUROPEAN CAPITALS TO THE EFFECT THAT SECOND INMARSAT CONFERENCE SHOULD NOT BE SCHEDULED FOR 12-18 MONTHS WAS BEING INTERPRETED BY EUROPEANS AS FURTHER EVIDENCE THAT US STILL TRYING TO DELAY ORGANIZATION OF INMARSAT. AS PRACTICAL MATTER, HE SAID, IMCO WOULD NOT BE ABLE TO HOST SECOND CONFERENCE BEFORE FIRST QUARTER OF 1976 AT EARLIEST WHICH WOULD PLACE IT JUST ABOUT WITHIN US RECOMMENDED TIME-FRAME. THEREFORE, US WOULD BE BETTER SERVED TO LET THESE PRACTICALITIES DETERMINE TIMING OF SECOND MEETING RATHER THAN APPEAR TO BE ESPOUSING A TIMETABLE LESS TIGHT THAN SOME EUROPEANS WOULD LIKE.

8. MELLON WILL BE UNABLE TO VISIT WASHINGTON FOR FURTHER PRE-CONFERENCE CONSULTATIONS AS HE HAD PREVIOUSLY PLANNED HE PROMISED TO LET US KNOW BEFORE EASTER WHAT UK POSITION WILL BE ON VARIOUS ISSUES AT THE CONFERENCE. RICHARDSON

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